



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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OPENING STATEMENT BY SECRETARY HENRY M. PAULSON, JR. ON THE PRESIDENT'S FISCAL YEAR 2009 BUDGET BEFORE THE HOUSE COMMITTEE ON THE BUDGET

Washington, DC— Chairman Spratt, Congressman Ryan, Members of the Committee: I am pleased to be here to discuss the President's budget for fiscal year 2009. As Treasury Secretary, my highest priority is a strong U.S. economy that will benefit our workers, our families and our businesses. Through a measured approach that balances our nation's needs with our nation's resources, the President's budget supports that priority.

This is especially important now as, after years of unsustainable home price appreciation, the U.S. economy undergoes a significant and necessary housing correction. This correction, combined with high energy prices and capital market turmoil, caused economic growth to slow rather markedly at the end of 2007.

The U.S. economy is diverse and resilient, and our long-term fundamentals are healthy. I believe our economy will continue to grow, although at a slower pace than we have seen in recent years.

Four weeks ago, recognizing the downside risks to our economy and that the short-term cost of doing nothing was too high, President Bush called for an economic growth package to provide a temporary boost to our economy as we weather the housing correction.

The Congress responded with bipartisanship, cooperation and speed to pass an economic growth package that is temporary, broad-based and will get money into our economy quickly. We have demonstrated to the nation and the world that we can come together to address the needs of the American people as we weather the housing downturn.

Today, the President will sign the economic package into law and Treasury is already working to send payments out to more than 130 million Americans. The IRS will manage the current tax filing season and simultaneously prepare to issue these additional payments starting in early May. Payments will be largely completed this summer, putting cash in the hands of millions of Americans at a time when our economy is experiencing slower growth. Together, the payments to individuals and the investment incentives for businesses will help create more than half a million jobs by the end of this year. In addition to an economic growth plan to help us weather this housing correction, the Administration will continue to focus on aggressive action to try to provide alternative options to foreclosures. That includes encouraging the HOPE NOW alliance's outreach to struggling homeowners. Congress can do its part by finalizing the FHA modernization and GSE regulatory reform bills and by passing legislation that will allow states to issue tax-exempt bonds for innovative refinancing programs.

We continue to monitor capital markets closely and to advocate strong market discipline and robust risk management. Working through the current stress is our first concern. Through the President's Working Group on Financial Markets, we are also reviewing underlying policy issues because it is just as important to get the long-term policy right.

While we are in a difficult transition period as markets reassess and re-price risk, I have great confidence in our markets. They have recovered from similar stressful periods in the past, and they will again.

The Administration will also continue to press for long-term economic policies that are in our country's best interest – a pro-growth tax system, entitlement reform and a balanced budget. To that end, the President's budget makes the 2001 and 2003 tax relief permanent, and keeps the federal budget on track for a surplus in 2012.

In the future, as in the past, our long-term economic growth will also be enhanced by supporting international trade, by opening world markets to U.S. goods and services and by keeping our markets open. Congress can help create jobs and economic opportunity by passing the pending Free Trade Agreements with Colombia, Panama and South Korea.

I appreciate the cooperative and bipartisan spirit that has brought the Congress and the Administration together to support our economy, and look forward to that spirit continuing as we work through this period. Thank you.